AMCCC-B-IP POINT PAPER 28 December 2000

PURPOSE: To Update Staff on Recent Changes to Technology Transfer Laws

SUBJECT: The Technology Transfer Commercialization Act of 2000

O Congress recently passed the Technology Transfer Commercialization Act of 2000. The Act's goals are to make the technology transfer process more "industry-friendly", as well as to simplify technology licensing.

O Among other things, the Act permits licensing certain pre-existing patents related to Cooperative Research and Development Agreements ("CRADAs"). While this has always been permitted, it was sometimes procedurally difficult because the license and CRADA were in two separate agreements. Now this licensing can occur where:

oo The invention is federally owned;

oo The patent application is signed before signing the CRADA; and

oo The invention is directly within the scope of work under the CRADA.

O The Act continues to permit exclusive and partially-exclusive licenses under essentially the same conditions as before; however it now reduces the notice and comment period from two months to fifteen days. This notice requirement does not apply to licenses under CRADAs using the authority of 15 USC 3710a.

O In addition, the Act allows Federal laboratories to acquire rights in inventions which are co-invented with a non-profit organization, small business firm, or a non-Federal co-inventor. While this practice has been previously permitted, the Act explicitly legitimizes it for technology transfer purposes. In order to rely on this authority, the licensor must voluntarily enter into the transaction.

O The Act also broadens the potential subject matter of Government licenses. Previously, agencies were permitted to grant licenses under federally-owned patent applications and patents. Now we can grant licenses under federally-owned inventions – a slightly broader category that includes any invention or discovery that is or may be patentable. This includes patentable software for which no patent application has been filed.

O The Act clarifies the calculation of royalty payments to inventors. Although the payment amounts and percentages remain the same, the basis for payment calculations now excludes patent costs called out in the license or assignment agreement.

O The Act also clarifies that inventors must assign their rights to the Government in order for the inventors to share in royalties.

O The Act limits the circumstances under which certain high-revenue royalties are returned to the U.S. Treasury. Before, we had to return 75% of all royalties to the Treasury where the total amount, after payments to inventors, was greater than 5% of the laboratory's budget. Now, we must return 75% of all royalties to the Treasury where the total amount, after payments to inventors, is greater than 5% of the agency's budget.

O The Act expands the royalty's period of availability from two to three fiscal years.

O The Act adds "institutions of higher education" as among those groups authorized to serve as partnership intermediaries.

O The Act also adds a review and report requirement on CRADA procedures, with an emphasis on those CRADAs that involve critical national security technology or may have a significant impact on domestic or international competitiveness.

O Finally, the Act adds a new agency reporting requirement to the Office of Management and Budget. Among other things, the report must include an explanation of the agency’s technology transfer program, the number of patent applications filed, the number of patents received, the number of fully executed licenses which received royalty income, as well as total earned royalty income.

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